

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

Direct to Locomotives, Inc.
2530 Vicksburg Street
Marysville, MI 48040

Enforcement Case No. 04-2551

Richard Strauchman, President
c/o Direct to Locomotives, Inc.
2530 Vicksburg Street
Marysville, MI 48040

Edward J. LaCroix, Financial Consultant
c/o Direct to Locomotives, Inc.
2530 Vicksburg Street
Marysville, MI 48040

Respondents

Issued and entered
On June 24, 2004
by Linda A. Watters,
Commissioner

AMENDED ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor & Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the Act, says that:

**I
BACKGROUND**

1. Richard Strauchman (Respondent) is an individual employed by Direct to Locomotives, Inc.
2. Edward J. LaCroix (Respondent) is an independent contractor working with Direct to Locomotives, Inc.
3. Direct to Locomotives, Inc. (Respondent) is a Michigan corporation located at: 2530 Vicksburg Street, Maryville, MI 48040.
4. At all times herein, Respondents were not registered by the Office of Financial Insurance Services (OFIS) as a broker-dealer or agent, or as a National Association of Securities Dealers (NASD) member.
5. On or about June 25, 2003, OFIS received a complaint concerning Respondents.
6. Respondents ran an advertisement in a local shopping news publication. The advertisement solicited investors with an offer of 7% plus return on a \$20,000 investment with Direct to Locomotives, Inc.
7. Respondents are engaged in the business of offering securities in the form of promissory notes to potential investors.
8. Direct to Locomotives, Inc. offer and sale of the promissory notes is neither registered nor exempt from registration in Michigan.
9. The offer or sale of unregistered or non-exempt securities is a violation of Section 301 of the Act.

10. Respondents Strauchman and LaCroix, as representatives of Direct to Locomotives, Inc., transacted business in Michigan as securities agents by offering and selling unregistered nonexempt securities.
11. Respondents Strauchman and LaCroix are not registered as securities agents under the Act.
12. Transacting business in Michigan as an unregistered securities agent is a violation of Section 201(a) of the Act.
13. On July 16, 2003, OFIS sent Respondents a letter asking them for certain information about their company and the offering securities in the form of promissory notes to potential investors.
14. Respondents through their attorney claim that the promissory notes issued by Direct to Locomotives, Inc. are not securities, but are instead loans.
15. OFIS disagrees with the contention that the promissory notes are not securities.
16. Respondents, through their attorney, have, without any admission that it or any of its representatives, officers or agents has violated any provision of the Michigan Uniform Securities Act, voluntarily agreed to cease and desist in the offer or sale of securities as defined in the Act.

II CONCLUSIONS OF LAW

WHEREAS, Section 408 of the Act, MCL 451.808 states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Services) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or

bring an action in a circuit court to enjoin the act or practices and to enforce compliance with this act or any rule or order hereunder.

WHEREAS, the Administrator finds that a person must be registered under Section 201 of the Act in order to offer to sell or sell investments; and

WHEREAS, the records of OFIS disclose that neither Richard Strauchman, Edward J. LaCroix, or Direct to Locomotives, Inc. were licensed to conduct business in the State of Michigan; and

WHEREAS, the investment in Direct to Locomotives, Inc. promissory note is a security within the meaning of Section 401; and

WHEREAS, the records of OFIS disclose that the investments offered by Respondents were not:

- a. Registered under Section 302 of the Act;
- b. Exempt from registration under Section 402 of the Act; and
- c. Federally covered securities; and

WHEREAS, the records of OFIS disclose that the securities transactions relating to the promissory notes are not exempt under Section 402 of the Act; and

WHEREAS, the Administrator finds that the Respondents, omitted to state the material fact that they are not licensed under the Act and the promissory notes sold are unregistered securities; and

WHEREAS, Respondents, through their attorney, have, without any admission that it or any of its representatives, officers or agents has violated any provision of the Michigan Uniform Securities Act, voluntarily agreed to cease and desist in the offer or sale of securities as defined in the Act; and

WHEREAS, based on the foregoing, the Administrator finds that Respondents are engaged in acts and practices that violate Sections 101, 201, and 301 of the Act and Rules promulgated under the Act; and

WHEREAS, the Administrator finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, that:

The Respondents shall immediately CEASE AND DESIST from transacting business in this state as a broker-dealer or agent, or an investment adviser without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

Failure to comply with this ORDER will subject you to one or more of the following:

- a. A civil penalty of not more than \$1,000 for each violation of this act, but not to exceed a total of \$10,000.
- b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O.

Box 30220, Lansing, Michigan 48909. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this order will stand as entered and will be FINAL.

MICHIGAN DEPARTMENT OF
LABOR AND ECONOMIC GROWTH

By: _____
Linda A. Watters, Commissioner
Office of Financial and Insurance Services